



PSC NEWS

Missouri Public Service Commission

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PSC DENIES BPS TELEPHONE COMPANY'S REQUEST TO BE PRICE CAP REGULATED

Jefferson City (November 18, 2003)--The Missouri Public Service Commission has determined that BPS Telephone Company is ineligible to elect price cap status in Missouri. As a result, the telephone company will continue to operate as a traditional rate-of-return regulated company.

BPS Telephone Company had previously notified the Public Service Commission of its intent to be regulated under the "price cap" provisions of a 1996 Missouri state law. As a reason for electing "price cap" status, BPS Telephone Company stated that Missouri State Discount Telephone (MSDT) had a certificate and was providing basic local telecommunications service in competition with BPS Telephone Company. After a thorough review of the record in this case, the Public Service Commission disagrees.

BPS Telephone Company serves approximately 3,900 access lines in Missouri. MSDT is certificated to provide basic local telecommunications service under a Commission decision which took effect on March 26, 2001.

According to testimony in this case, MSDT resells the telecommunications service of BPS. MSDT provides telecommunications service to a few customers within the BPS service area. MSDT, according to this case, provides service by reselling through its interconnection agreement, the service of BPS.

"Price cap regulation, a transitional status between traditional rate-of-return regulation and deregulated competition, permits ratemaking without the traditional oversight and regulation of the Commission. This is the principal benefit that the legislature intended to confer on qualifying carriers through the Price Cap Statute," the Commission's order states.

The Commission closely reviewed the price cap statute in determining this case. The Commission noted in its decision: "It is clear from the statutes that the legislature intended to promote competition while maintaining protection for the ratepayers by allowing competition to substitute for regulation. BPS and MSDT have agreed that MSDT will not compete for BPS's customers. Therefore, to find that MSDT is providing competitive pressure on BPS that will substitute for regulation, would be to leave the ratepayers with inadequate protections to ensure that the rates they pay are reasonable. Neither competition nor the Commission would regulate the prices charged by BPS."

The Commission's order states: "The Commission concludes that MSDT is not providing basic local telecommunications services in a manner that would allow BPS to elect price cap status. The Commission further concludes that BPS's price cap election is invalid, and that BPS maintains its status as a traditional rate-of-return regulated company."

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